

Message Text

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ACTION OES-07

INFO OCT-01 ISO-00 EUR-12 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 EPG-02 DODE-00 EB-07 FEAE-00
FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05
OMB-01 PM-04 USIA-06 SP-02 SS-15 STR-04 TRSE-00
ACDA-07 AGR-05 CEQ-01 CG-00 DLOS-09 DOTE-00
EPA-01 FMC-01 IO-13 JUSE-00 NSF-01 PA-01 PRS-01
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FM AMEMBASSY OSLO
TO SECSTATE WASHDC 3713
INFO AMEMBASSY LONDON
USCONSUL FRANKFIRT 688
USMISSION OECD PARIS

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FRANKFURT FOR CAO

E.O. 11652: N/A
TAGS: ENRG, PINT, NO
SUBJ: CONSEQUENCES OF EKOFISK OIL SPILL

REF: OSLO 1975

SUMMARY: THE DIRECT ECONOMIC COSTS OF THE EKOFISK SPILL, OTHER THAN
LOST REVENUE FROM THE 90,000 TO 130,000 BARRELS OF OIL LOST, ARE
EXPECTED TO BE RELATIVELY SMALL. THE PLATFORM WHERE THE SPILL OCCURRE
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IS EXPECTED TO BE IN PRODUCTION AGAIN IN ABOUT A MONTH. AN OUT-
SIDE FIGURE FOR TOTAL CLEANUP COSTS IS ABOUT \$9 MILLION. NO
ECOLOGICAL DAMAGE HAS YET BEEN TRACED TO THE SPILL WHICH HAS ALREADY
LARGELY DISSAPATED IN THE SEA. WHILE THE RAPIDITY WITH WHICH THE SPIL
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WAS BROUGHT UNDER CONTROL WILL DIMINISH ITS POLITICAL EFFECT IN
NORWAY, THE SPILL WILL MAKE OIL POLICY AN EVEN HOTTER ISSUE FOR
THE GENERAL ELECTION IN SEPTEMBER THAN ANTICIPATED. THE EFFECT
ON THE GOVERNING LABOR PARTY IN THE EXPECTED CLOSE ELECTION
COULD BE SERIOUS, AND THE AGRARIAN CENTER PARTY COULD BENEFIT.
THE LABOR PARTY APPARENTLY HOPES TO DEFLECT ADVERSE PUBLIC
REACTION TO THE SPILL BY ANNOUNCING THAT DRILLING NORTH OF

62 DEGREES IN 1978 WILL BE POSTPONED. WHETHER THIS TACTIC WILL SUCCEED OR NOT WILL BECOME CLEARER WHEN THE GOVERNMENT REQUEST FOR AUTHORITY TO ISSUE NEW BLOCKS SOUTH OF 62 DEGREES IS DEBATED LATER THIS SPRING. THIS REQUEST IS JUSTIFIED AS NECESSARY TO MAINTAIN EMPLOYMENT AND INCREASE PRODUCTION TO THE 90 MILLION TON A YEAR LEVEL GENERALLY ACCEPTED IN 1974. NORMALLY, LABOR COULD COUNT ON THE VOTES OF THE CONSERVATIVE PARTY WHOSE SUPPORTERS FAVOR AN EXPANSIONARY OIL POLICY. HOWEVER, WITH AN ELECTION IN THE OFFERING, THE CONSERVATIVES MAY DECIDE NOT TO SPLIT OVER THIS ISSUE WITH THE OTHER TWO NON-SOCIALIST PARTIES WITH WHICH IT HOPES TO DEFEAT LABOR IN THE ELECTION AND FORM A COALITION GOVERNMENT. END SUMMARY.

1. DURING THE OIL SPILL AT NORWAY'S EKOFISK FIELD WHICH BEGAN ON APRIL 22 AND ENDED EIGHT DAYS LATER, SOME 90,000 TO 130,000 BARRELS OF OIL FLOWED UNCHECKED INTO THE SEA. THE IMMEDIATE LOSS TO THE NORWEGIAN STATE IS ESTIMATED AT ABOUT \$2.00 MILLION IN LOST TAX REVENUE AND ROYALTY OIL. IN ADDITION, IT WILL TAKE APPROXIMATELY A MONTH TO PUT THE PLATFORM WHERE THE LEAK OCCURRED BACK INTO PRODUCTION, AND THE GOVERNMENT WILL HAVE \$30.0 TO \$40.0 MILLION IN DEFERRED INCOME. THE MINISTRY OF ENVIRONMENT ESTIMATES THAT AT THE MOST THE COST OF THE CLEANUP WILL BE \$9.0 TO \$10.0 MILLION. VIRTUALLY NO DAMAGE TO THE ECOLOGY HAS BEEN FOUND, AND THE SPILL IS EXPECTED TO DISAPPEAR AT SEA. ALTHOUGH ONLY ABOUT 1,000 TONS OF OIL WERE COLLECTED FROM THE SPILL, THE MECHANICAL CLEANUP EQUIPMENT DEVELOPED BY NORWAY FOR NORTH SEA USE PROVED VERY EFFECTIVE AND CONSIDERABLY MORE OIL COULD HAVE BEEN COLLECTED IF MORE OF THIS EQUIPMENT HAD BEEN AVAILABLE. NO CHEMICALS WERE USED FOR FEAR OF DAMAGE TO MARINE LIFE AND BECAUSE THEY WERE CON-

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SIDERED UNNECESSARY. SINCE MOST NON-NORWEGIAN MECHANICAL CLEANUP EQUIPMENT NOW AVAILABLE IS UNSUITABLE FOR THE ROUGH CONDITIONS FOUND IN THE NORTH SEA, NORWAY BELIEVES THERE IS A LARGE EXPORT MARKET FOR ITS EQUIPMENT.

2. THE NORWEGIAN GOVERNMENT CLAIMS THAT THE PHILLIPS GROUP, WHICH OWNS EKOFISK, IS RESPONSIBLE FOR ALL CLEANUP COSTS AND DAMAGE AS A RESULT OF THE SPILL. HOWEVER, SINCE THESE COSTS ARE TAX DEDUCTIBLE AND THE PHILLIPS GROUP HAS ONLY LIMITED INSURANCE FOR THIS TYPE OF ACCIDENT (ENBASSY UNDERSTANDS FULL COVERAGE IS NOT NORMALLY CARRIED OR AVAILABLE AND WOULD BE PROHIBITIVELY EXPENSIVE), NORWAY MAY END UP ABSORBING BETWEEN 60 PERCENT AND 70 PERCENT OF ALL THOSE EXPENSES WHICH ARE NOT COVERED BY INSURANCE. IT WILL TAKE SOME TIME BEFORE ALL THESE COSTS ARE ASSESSED. ONLY ELECTRICAL DAMAGE FROM WATER SPRAY DURING THE LEAK TO AVOID FIRE IS EXPECTED TO BE FOUND AT PLATFORM WHERE THE LEAK OCCURRED. OIL SPILL COLLECTION HAS STOPPED, BUT POSSIBLE ECOLOGICAL DAMAGE WILL CONTINUE TO BE MONITORED.

3. COMMENT: THE POLITICAL IMPACT OF THE OIL SPILL WILL BE FELT IN THE MONTHS AHEAD. THE RAPIDITY WITH WHICH THE SPILL WAS BROUGHT UNDER CONTROL WITH NO APPARENT ECOLOGICAL OR ENVIRONMENTAL DAMAGE WILL NO DOUBT DIMINISH ITS RAMIFICATIONS. HOWEVER, THIS IS AN ELECTION YEAR IN NORWAY AND EVEN BEFORE THE SPILL OIL POLICY WAS A PROMINENT ELECTION ISSUE. THE SPILL DRAMATIZED OIL AS AN ISSUE, INDICATED THAT CONTROLS MAY HAVE BEEN INADEQUATE, SHOWED THAT NOT ENOUGH CLEANUP EQUIPMENT WAS ON HAND REVEALED THE LIMITATIONS OF THIS EQUIPMENT, AND GAVE OPPONENTS OF THE GOVERNMENT AND OF EXPANSION OF OIL ACTIVITY ADDED AMMUNITION.

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4. THE LABOR GOVERNMENT STANDS TO LOSE SOME SUPPORT BECAUSE OF THE SPILL. A ROYAL COMMISSION HAS BEEN SET UP TO INVESTIGATE THE FACTS SURROUNDING THE ACCIDENT AND WHICH IS EXPECTED TO REPORT BEFORE PARLIAMENT ADJOURNS IN MID JUNE. IF GOVERNMENT LAXITY IS FOUND TO HAVE CONTRIBUTED TO THE SPILL, THE ELECTION CONSEQUENCES COULD BE SEVERE. SUCH A FINDING WILL PROBABLY NOT TOPPLE THE GOVERNMENT AS THE KING'S BAY ACCIDENT ON SVALBARD DID FIFTEEN YEARS AGO WHEN DIRECT GOVERNMENT CULPABILITY WAS FOUND, BUT IT COULD TIP THE SCALES IN THE EXPECTED CLOSE ELECTION. THE NEGATIVE EFFECT WOULD LIKELY BE ESPECIALLY SERIOUS AMONG NORTHERN FISHERMEN WHO HAVE OPPOSED OFFSHORE OIL ACTIVITY AND WHOSE VOTES LABOR NEEDS IF IT IS TO WIN THE ELECTION. THE SPILL HAS ALREADY

POINTED UP DIFFERENCES WITHIN
THE LABOR PARTY WHERE LEADERSHIP OF THE LEFT-WING HAS USED THE
OIL SPILL TO RENEW, MAINLY FOR POLITICAL REASONS, ITS CALL FOR
A SLOWER PACE OF OIL DEVELOPMENT THAN PROPOSED BY THE GOVERNMENT.

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5. OF THE THREE MAJOR NON-SOCIALIST OPPOSITION PARTIES WHICH ARE
COOPERATING IN THE COMING ELECTION AND HOPE TO FORM A COALITION
IF THEY WIN, THE CENTER PARTY IS BEST POSITIONED TO GAIN AS A RESULT
OF
THE SPILL. IT HAS LONG FAVORED A MUCH SLOWER PACE OF OIL DEVELOP-
MENT AND SINCE THE SPILL HAS ARGUED THAT ENVIRONMENTAL PROTECTIVE
MEASURES WERE NOT ADEQUATE. THE SPILL LENT CREDENCE TO THESE
ARGUMENTS, HELPED TO UNITE THE CENTER PARTY AT ITS RECENT
CONVENTION, AND INSPIRED SEVERAL OTHER SMALL PARTIES TO JOIN IN
THE ATTACK ON THE GOVERNMENT FOR ITS OIL POLICY.

6. ON THE OTHER HAND, THE CONSERVATIVES, WHO HAVE SUPPORTED A
MORE EXPANSIONARY OIL POLICY THAN LABOR, MAY LOSE SUPPORT. IN
ADDITION TO THE EXTENT A SLOWER OIL POLICY IS USED BY THE
CENTER PARTY TO GAIN SUPPORT, IT WILL ALSO MAKE IT MORE
DIFFICULT
FOR THE CENTER PARTY AND CONSERVATIVES TO WORK TOGETHER IN A NON-
SOCIALIST COALITION GOVERNMENT.

7. AMONG THE GOVERNMENT'S IMMEDIATE POLITICAL REACTIONS TO THE
OIL SPILL WAS TO ANNOUNCE ON MAY 6 THAT IT WAS POSTPONING ITS
PLANS TO START EXPLORATORY DRILLING IN 1978 NORTH OF 62 DEGREES. THERE
IS GENERAL AGREEMENT THAT ENVIRONMENTAL PROTECTION THERE MUST
BE INSURED. IN THE LIGHT OF QUESTIONS RAISED BY THE OIL SPILL,
LABOR'S OBVIOUS TACTIC IS TO TRY TO DEFLECT THE STRONG FEELINGS
AROUSSED BY THE SPILL AND TO FOCUS ATTENTION
ON DRILLING NORTH OF 62 DEGREES. WHETHER OR NOT THIS
TACTIC WILL SUCCEED IS STILL AN OPEN QUESTION. IF LABOR WINS THE
ELECTION THIS FALL, IT WILL PROBABLY SEEK TO BEGIN DRILLING NORTH OF
62 DEGREES IN 1979 OR 1980. HOWEVER, IF THE NON-SOCIALISTS WIN, THE
LABOR PARTY'S TACTIC WILL MAKE IT EVEN MORE DIFFICULT FOR A NON-
SOCIALIST GOVERNMENT TO AGREE ON A DATE BECAUSE THE
CENTER PARTY WILL CERTAINLY OPPOSE SETTING ONE.

8. THERE IS ALSO SOME QUESTION WHETHER PARLIAMENT WILL AGREE,
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IN THE AFTERMATH OF THE OIL SPILL, TO THE LABOR GOVERNMENT'S

REQUEST FOR AUTHORITY TO ALLOCATE SIXTEEN NEW BLOCKS SOUTH OF 62 EGREES IN ORDER TO MAINTAIN OIL SECTOR EMPLOYMENT AND TO BRING FUTURE NORWEGIAN OIL PRODUCTION UP FROM 75 MILLION TONS A YEAR NOW ACCEPTED BY MOST POLITICAL PARTIES IN 1974. THERE ARE SIGNS THAT THE CONSERVATIVE PARTY, WHICH COULD NORMALLY BE COUNTED ON TO SUPPORT THIS REQUEST, MAY NOT DO SO IN THE INTEREST OF MAINTAINING SOLIDARITY WITH ITS PROSPECTIVE PARTNERS IN A COALITION GOVERNMENT. THE LABOR GOVERNMENT HAS INDICATED IT WILL NOT MAKE THIS CONFIDENCE ISSUE. HOWEVER, THE GOVERNMENT'S REQUEST AND OTHER OIL MATTERS BEFORE PARLIAMENT ARE EXPECTED TO BE AMONG THE MOST HOTLY DEBATED ISSUES DURING THE REMAINING WEEKS OF PARLIAMENT BEFORE IT ADJOURNS IN MID JUNE FOR THE SUMMER AND THE ELECTIONS IN SEPTEMBER.

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Message Attributes

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